

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 INR-07 NSAE-00 PA-02

USIA-15 PRS-01 SP-02 FEA-01 ERDA-07 AID-05 CEA-01

CIEP-02 COME-00 EB-07 FPC-01 H-02 INT-05 L-03 NSC-05

OMB-01 PM-04 SAM-01 OES-06 SS-15 STR-04 TRSE-00

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 870

UNCLAS OTTAWA 3455

E.O. 11652: N/A

TAGS: ENRG, ETRD, CA

SUBJ: CUTS IN OIL EXPORTS TO US LIKELY TO BE BELOW FORECAST

1. CANADIAN PRESS NEWS ITEM DATED AUGUST 25 QUOTES ENERGY MINES AND RESOURCES (EMR) OFFICIAL SAYING THAT CUTS IN CRUDE OIL EXPORTS TO US THIS YEAR ARE LIKELY TO BE LESS SEVERE THAN EARLIER FORECASTS WHICH WOULD HAVE HELD SHIPMENTS TO 460,000 BARRELS PER DAY.

2. ARTICLE ATTRIBUTES CHANGE IN ESTIMATE TO SIX-WEEK DELAY IN COMPLETION OF SARNIA-TO-MONTREAL PIPELINE WHICH SET BACK PLANNED GRADUAL REDUCTION IN AMOUNT OF LICENSED EXPORTS TO US. UNDER GOVERNMENT PROGRAM ANNOUNCED LAST FALL, EXPORTS WERE CUT TO 510,000 BARRELS PER DAY FROM 750,000 A DAY ON JANUARY 1. FURTHER DEEPER CUTS WERE EXPECTED LATER IN THE YEAR AS MONTREAL PIPELINE WENT ON STREAM, GRADUALLY BUILDING UP TO ITS CAPACITY OF 250,000 BARRELS A DAY. ARTICLE SAID AMOUNT OF EXPORTS WILL RISE ABOVE PREVIOUS ESTIMATE BUT WILL NOT BE KNOWN UNTIL LATER IN FALL WHEN NATIONAL ENERGY BOARD (NEB) MAKES ESTIMATES ON FLOW IN NEW PIPELINE AND MONTHLY EXPORTS

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FOR OCTOBER, NOVEMBER AND DECEMBER.

3. NEB FORMULA FOR CUTTRAILING EXPORTS REDUCES THEM BY HALF THE AMOUNT OF OIL SHIPMENTS TO MONTREAL. ORIGINAL PLAN CALLED FOR REDUCING EXPORTS TO 385,000 BARRELS PER DAY BY FALL, AND AVERAGE FORECAST FOR YEAR WAS 460,000 BARRELS PER DAY. PIPELINE DIDN'T GO INTO OPERATION UNTIL MID-JUNE, HOWEVER, AND NOW ISN'T EXPECTED TO REACH CAPACITY UNTIL MID-NOVEMBER, NOT OCTOBER 1 AS FIRST FORECAST. AS RESULT, FIRST ADDITIONAL CUT IN EXPORTS, DROPPING THE LIMIT TO 450,000 FROM 510,000, DIDN'T COME UNTIL JULY 1, SO EXPORTS WILL REMAIN AT 450,000 LEVEL AT LEAST UNTIL OCTOBER 1.

4. SHIPMENTS THROUGH THE MONTREAL PIPELINE TOTALED 125,000 BARRELS IN JULY, DROPPED TO 109,000 IN AUGUST BUT ARE EXPECTED TO RISE TO 133,000 BARRELS FOR SEPTEMBER. NEB FIGURES SHOW EXPORTS AVERAGED 505,000 BARRELS PER DAY FOR FIRST HALF OF YEAR, JUST BELOW MAXIMUM ALLOWED.

5. ARTICLE STATED THAT WITH SHIPMENTS AT 450,000 BARRELS ALLOWED FOR THE THIRD QUARTER, EXPORTS WOULD HAVE TO BE CUT TO 380,000 BARRELS A DAY FOR LAST QUARTER.

6. EMBASSY COMMENT: WE ASKED ENERGY, MINES AND RESOURCES (EMR) OFFICIAL ABOUT NESS REPORT. HE SAID THAT GIVEN AMOUNTS LICENSED FOR FIRST THREE QUARTERS, EXPORTS WOULD HAVE TO BE CUT TO 365,000 BARRELS PER DAY FOR LAST QUARTER IN ORDER TO MAINTAIN 460,000 BARREL PER DAY AVERAGE. EMR ESTIMATES INDICATE EXPORT VOLUMES WILL BE HIGHER THAN 365,000. THEREFORE, 460,000 BARREL EXPORT LIMIT IS IN FACT LOW, THUS CONFIRMING SUBSTANCE OF ARTICLE. NEB OFFICIAL ALSO SAID ARTICLE WAS "PROBABLY CORRECT".
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